resellers who provide their own Operator Services. Verizon VA is proposing the following discounts, which are displayed in Tab 1 of the resale study:

Reseller using own Operator	Reseller Using Verizon VA Operator
14.32%	13.06%

Q. Should the discount apply to the resale of vertical services by resellers on a stand-alone basis?

A. No. As explained by Verizon witness Josephine Maher, Verizon VA does not offer vertical services (*e.g.*, Call Forward Busy Line/Don't Answer) at retail on a stand-alone basis. Moreover, the avoided retail cost discount discussed above reflects the costs that Verizon VA would avoid if it were not providing the service at retail. However, if the reseller were reselling only a vertical feature, Verizon VA would continue to provide the basic dial tone service and would not necessarily avoid any costs. For example, Verizon VA would continue to incur the costs of taking retail customer orders and of billing and collection. Thus, if the Commission determined that resellers are entitled to a discount for stand-alone vertical services, it would have to determine a separate wholesale discount rate for such services.

Q. Does this conclude the Panel's testimony?

A. Yes.

1

Declaration of Donald Albert

I declare under penalty of perjury that the foregoing is true and correct. Executed this 31ST day of July, 2001.

Donald Albert

Donald Albert

Declaration of Ralph Curbelo

I declare under penalty of perjury that I have reviewed the foregoing panel testimony and that those sections as to which I testified are true and correct.

Executed this 26th day of July, 2001.

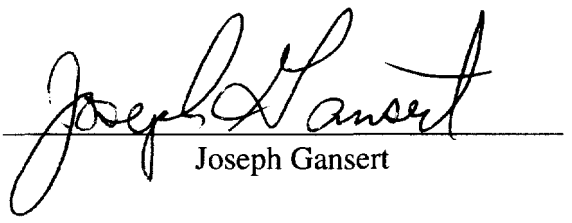
Ralph Curbelo

Ralph Curbelo

Declaration of Joseph Gansert

I declare under penalty of perjury that I have reviewed the foregoing panel testimony and that those sections as to which I testified are true and correct.

Executed this 25th day of July, 2001.



Joseph Gansert

Declaration of Nancy Matt

I declare under penalty of perjury that I have reviewed the foregoing panel testimony and that those sections as to which I testified are true and correct.

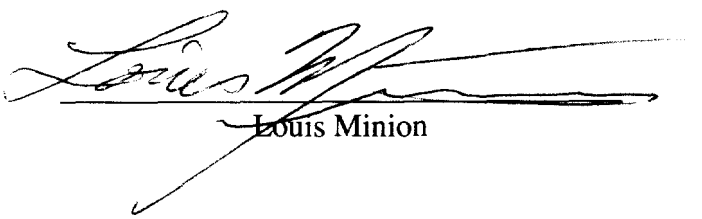
Executed this 27th day of July, 2001.

Nancy Matt

Declaration of Louis Minion

I declare under penalty of perjury that I have reviewed the foregoing panel testimony and that those sections as to which I testified are true and correct.

Executed this 27th day of July, 2001.



Louis Minion

Declaration of Carlo M. Peduto II

I declare under penalty of perjury that I have reviewed the foregoing panel testimony and that those sections as to which I testified are true and correct

Executed this 26th day of July, 2001

Carlo M. Peduto II

Declaration of Gary Sanford

I declare under penalty of perjury that I have reviewed the foregoing panel testimony and that those sections as to which I testified are true and correct.

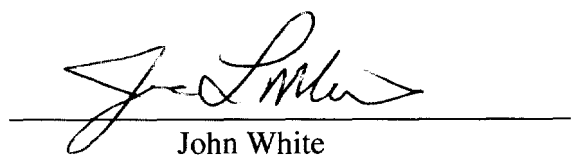
Executed this 7/26 day of July, 2001.

Gary Sanford

Declaration of John White

I declare under penalty of perjury that I have reviewed the foregoing panel testimony and that those sections as to which I testified are true and correct.

Executed this 26 day of July, 2001.



John White

A

GLOSSARY

ACF	Annual Cost Factor
ADSL	Asymmetrical Digital Subscriber Line
AHD	All Hours of the Day
AIN	Advanced Intelligent Network
AOSP	Alternative Operator Service Provider
ASR	Access Service Requests
ATU-R	ADSL Terminal Unit — Remote
BDT	Bill Data Tape
BH	Busy Hour
CABS	Carrier Access Billing System
CAT	Computer Access Terminal
CCSCIS	Common Channel Signaling Cost Information System
CLEC	Competitive Local Exchange Carrier
CO	Central Office
CORBA	Common Object Request Broker Architecture
COT	Central Office Terminal
CPE	Customer Premises Equipment
CPI-W	Consumer Price Indices
CRIS	Customer Record Information System
CRSAB	Centralized Repair Service Attendant Bureau
CSB	Customer Services Bureau

DCNDR	Data Center, Network, and Distributed Resources
DCPR	Detailed Continuing Property Record
DCS	Digital Cross-Connect Systems
DDL	Digital Design Loops
DLC	Digital Loop Carrier
DSLAM	Digital Subscriber Line Access Multiplexer
DSX	Digital Signal Cross-Connect
DUF	Daily Usage File
EDI	Electronic Data Interchange
EEL	Expanded Extended Loop
EF&I	Engineer, Furnish & Install [factor]
EMR	Exchange Message Record
FDF	Fiber Distribution Frame
FDI	Feeder Distribution Interface
FLC	Forward-Looking-to-Current [factor]
FMC	Facilities Management Center
FOMS	Frame Operations Management System
FRC	Field Reporting Code
G&A	General and Administrative
GIGS	Gigabytes
GRL	Gross Revenue Loading [factor]
GUI	Graphical User Interface
HDSL	High Bit-Rate Digital Subscriber Line

I&M	Installation and Maintenance
ICSC	Interexchange Carrier Service Center
IDLC	Integrated Digital Loop Carrier
ILEC	Incumbent Local Exchange Carrier
IOF	Interoffice Facility
IS	Information Systems
ISCP	Intelligent Service Control Points
ISDN	Integrated Services Digital Network
kf	Kilofeet
L&B	Land and Building [factor]
LCAM	Loop Cost Analysis Model
LEAD	Loop Engineering Assignment Data
LEIS	Loop Engineering Information System
LFACS	Loop Facility Assignment and Control System
LIDB	Line Information Database
LMOS	Loop Maintenance Operations System
LSR	Local Service Request
MARCH	Memory Administration Recent Change History
MDF	Main Distribution Frame
MIC	Material Item Codes
MIPS	Millions of Instructions Per Second
MLAC	Mechanized Loop Assignment Center
MLT	Mechanized Loop Testing System

MOU	Minute of Use
NCT	Non-Conversation Time
NDM	Network Data Mover
NERA	National Economic Research Associates
NID	Network Interface Device
NMC	National Marketing Center
NPV	Net Present Value
NRC	Non-Recurring Cost
NSDB	Network and Services Data Base
NSI	Network Services
OS/DA	Operator Services/Directory Assistance
OSS	Operations Support Systems
POTS	Plain Old Telephone Service
PREMIS	Premises Management Information System
RB	Request Broker
RCCC	Regional CLEC Coordination Center
RCMAC	Recent Change Memory Administration Center
RCMC	Regional CLEC Maintenance Center
RETAS	Repair Trouble Administration System
RM	Request Manager
RMA	Request for Manual Assistance
RT	Remote Terminal
RTU	Right-to-Use [factor]

SAI	Serving Area Interface
SARTS	Special Access Remote Test System
SCE	Service Creation Environment
SCIS	Switching Cost Information System
SCIS/IN	SCIS/Intelligent Network
SCIS/MO	SCIS/Model Office
SDSL	Symmetrical Digital Subscriber Line
SLC	Subscriber Line Charge
SLC/EUCL	Subscriber Line Charge/End User Common Line
SMS	Service Management System
SNFA	Shared Network Facilities Arrangements
SOAC	Service Order Analysis and Control
SOP	Service Order Processor
SS7	Signaling System 7
SSP	Service Switching Point
STP	Signaling Transfer Point
SWC	Serving Wire Center
TCI	Total Cost Installed
TDP	Trigger Detection Point
TELRIC	Total Element Long-Run Incremental Cost
TGS	Telecom Group Systems
TIRKS	Trunk Integrated Records Keeping System
TISOC	Telecom Industry Services Operations Center

TOPIC	Telecommunications Outside Plant Interconnection Cabinet
TOPS	Telephone Operator Position System
TPIS	Telephone Plant in Service
UDLC	Universal Digital Loop Carrier
UFSE	Unbundled Feeder Sub Element
UNE	Unbundled Network Element
USLA	Unbundled Subloop Arrangement
USO	Uniform Service Order
USOA	Universal System of Accounts
USOC	Uniform Service Order Code
VRUC	Vintage Retirement Unit Cost
WFA	Work Force Administration system
WPTS	Wholesale Provisioning Tracking System
WTS	Wideband Test System
XSOG	X Service Order Generator

B

VERIZON

COST METHODOLOGY AND COSTING PROCESS MANUAL FOR UN-BUNDLED NETWORK ELEMENTS

JULY 2001

VERIZON
COST METHODOLOGY AND COSTING PROCESS MANUAL
FOR UNBUNDLED NETWORK ELEMENTS

TABLE OF CONTENTS

EXECUTIVE OVERVIEW

The purpose of this document is to provide the reader with a framework for understanding and evaluating the cost studies presented and sponsored by Verizon in regulatory proceedings seeking to establish the costs of Unbundled Network Elements (UNEs) provided to CLECs under the Telecommunications Act of 1996.[1] We briefly summarize here the methodology and the costing tools utilized in the preparation of Verizon's cost studies.

Verizon's studies are based on forward-looking assumptions about network technology, as required by current FCC rules.[2] The specific plant characteristics assumed in Verizon's studies differ somewhat from jurisdiction to jurisdiction based on the location of the existing Verizon wire centers in those jurisdictions and the most efficient network design for serving customers in those jurisdictions. In all cases, however, the technology used reflects the most efficient technology being deployed in Verizon's network. This document provides background with respect to the relevant network technology in connection with certain UNEs.

---

[1] **This manual is designed to provide a summary, high-level overview of Verizon's general costing methodology. It is not intended to be state-specific or to supplant any state-specific testimony. Any discrepancies between the manual and testimony filed in this or other proceedings should be resolved by referring to the state-specific testimony.**

[2] The cost studies used by Verizon are designed to comply with the Total Element Long Run Incremental Cost (TELRIC) methodology as currently required by the FCC's rules, although we note that those rules are currently under review and that the studies may be changed if those rules are invalidated.

I. INTRODUCTION TO STUDY METHODOLOGIES

UNE costs are divided into two general categories: recurring and non-recurring. Recurring costs are the ongoing costs associated with providing the UNE and are reflected in the monthly costs Verizon will charge the CLECs; the non-recurring costs are one-time costs incurred by Verizon in connection with responding to an individual CLEC's UNE order.

Verizon performed various studies using several different costing tools to analyze both the recurring and non-recurring forward-looking costs incurred in connection with each UNE. After summarizing some general costing methodologies used by Verizon in its studies, we discuss both the specific studies and the tools used below.

In general, to determine recurring UNE costs, Verizon first calculated the relevant material investments associated with each available unit of capacity in its forward-looking network design, and then applied a utilization factor to those costs to derive the material investment per unit in service. Where appropriate, investment loading factors were then applied to account for the costs associated with the installation, engineering, power, land and buildings for the relevant equipment or facilities. Verizon then applied annual cost factors to determine the forward-looking annual costs associated with the identified investment. These were divided by twelve to produce monthly recurring costs or divided by usage demand to calculate per minute costs.